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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 14, 2000

APPLICATION OF

AEP RETAIL ENERGY, LLC

CASE NO. PUE000408

For a license to conduct
business as a competitive service
provider in electric retail
access pilot programs

ORDER GRANTING LICENSE

On July 31, 2000, AEP Retail Energy, LLC ("AEP Retail" or "Applicant"), filed an application for licensure to conduct business as a competitive service provider in natural gas and electric retail access pilot programs, as provided by the Interim Rules Governing Electric and Natural Gas Retail Access Pilot Programs ("Interim Rules"), 20 VAC 5-311-50. AEP Retail's application was completed when additional information was filed on October 3, 2000. In the October 3, 2000 filing, the Applicant withdrew the portion of its request regarding natural gas retail access programs. The Applicant intends to serve eligible customers in all customer classes in the electric retail access pilot programs of Virginia Electric and Power Company ("Virginia Power") and Rappahannock Electric Cooperative ("REC").

On October 11, 2000, the Commission issued its Order for Notice and Comment, establishing the case, requiring that notice of the application be published, providing for the receipt of comments from the public, and requiring the Commission's Staff to analyze the reasonableness of AEP Retail's application and present its findings in a Staff Report to be filed on or before November 3, 2000.

The Applicant filed proof of publication of its notice on October 30, 2000. No comments from the public on AEP Retail's application were received.

The Staff filed its Report on November 3, 2000, concerning AEP Retail's fitness to provide competitive electric service. The Staff concluded that AEP Retail meets the technical fitness requirements for licensure. The Staff also discussed AEP Retail's request for a waiver of 20 VAC 5-311-50 A 12 a of the Interim Rules, which requires an applicant to file an audited balance sheet and income statement for the most recent fiscal year, as well as published financial information, if available. In lieu of filing the required documents, AEP Retail filed financial statements of its parent company, American Electric Power Company, Inc. ("AEP"). The Applicant, as a newly formed company, does not have financial statements of its own. As additional evidence of its financial responsibility, AEP Retail submitted a letter in which its parent, AEP, commits that it

will be responsible for any obligations incurred by AEP Retail as a competitive service provider in Virginia. The Staff recommended that the waiver be granted as requested and stated that the alternate financial information filed by the Applicant, together with the commitment from its parent, serve as sufficient evidence of financial responsibility. As such, the Staff recommended that a license be granted to AEP Retail for the provision of electric service to all eligible classes of customers in the Virginia Power and REC pilot programs.

AEP Retail did not file a response to the Staff Report.

NOW UPON CONSIDERATION of the application, the Staff Report, and the applicable law, the Commission finds that AEP Retail's application to provide electric service should be granted. We will also grant the waiver of our requiring audited financial statements. Accordingly,

IT IS ORDERED THAT:

(1) As provided by the Interim Rules, 20 VAC 5-311-60 A, AEP Retail is granted a waiver of 20 VAC 5-311-50 A 12 a and the submitted financial information and commitment letter are accepted in lieu of audited financial statements.

(2) AEP Retail Energy, LLC hereby is granted license No. PE-11 to provide competitive electric supply service to all classes of eligible customers in conjunction with the retail access pilot programs of Virginia Power and REC. This license

to act as a competitive service provider is granted subject to the provisions of the Interim Rules, this Order, and other applicable statutes.

(3) This license shall expire upon termination of the respective pilot programs unless otherwise ordered by the Commission. This license is not valid authority for the provision of any product or service not identified within the license itself.

(4) Failure of AEP Retail to comply with the Interim Rules, the provisions of this Order, other State Corporation Commission orders and rules, or other applicable state or federal laws may result in an enforcement action by the Commission including, without limitation, the revocation, suspension, or modification of the license granted herein, the refusal to renew such license, the imposition of appropriate fines and penalties, or such other additional actions as may be necessary to protect the public interest.

(5) This case shall remain open for consideration of any subsequent amendments or modifications to this license.